

**CITY OF CHATTANOOGA, TENNESSEE**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS**  
**YEAR ENDING JUNE 30, 2015**

<b>Federal Grantor/Pass-Through/Grantor/Program Title</b>	<b>Federal CFDA Number</b>	<b>Contract Number</b>	<b>Beginning (Accrued) Unearned Grant Revenue</b>	<b>Cash Receipts</b>	<b>Expenditures</b>	<b>Other Adjustments</b>	<b>Ending (Accrued) Unearned Grant Revenue</b>
<b>U.S. DEPARTMENT OF AGRICULTURE</b>							
Passed Through Tennessee Department of Agriculture:							
Emergency Food Assistance Program (Admin Costs)	10.568	35738	\$ (29,307)	\$ 38,354	\$ 9,047	\$ -	\$ -
Emergency Food Assistance Program (Admin Costs)	10.568	45898	-	32,999	64,277	-	(31,278)
Emergency Food Assistance Program (Commodities-Noncash)	10.569	N/A	-	223,178	223,178	-	-
Total Emergency Food Assistance Program			<u>(29,307)</u>	<u>294,531</u>	<u>296,502</u>	<u>-</u>	<u>(31,278)</u>
Passed Through Tennessee Department of Human Services:							
2014 CHS Child Care Program	10.558	N/A	(18,940)	18,940	-	-	-
2015 CHS Child Care Program	10.558	N/A	-	64,260	67,098	-	(2,838)
2014 Child and Adult Food Program	10.558	3-47-60076-00-9	(8,319)	8,319	-	-	-
2015 Child and Adult Food Program	10.558	3-47-56136-00-6	-	62,455	64,589	-	(2,133)
2014 Child and Adult Food Program	93.600	04CH0047/37	(5,830)	5,830	-	-	-
2015 Child and Adult Food Program	93.600	04CH0047/38	-	301,008	308,429	-	(7,421)
Total Child and Adult Food Program			<u>(33,089)</u>	<u>460,812</u>	<u>440,115</u>	<u>-</u>	<u>(12,392)</u>
Total U. S. Department of Agriculture			<u>(62,396)</u>	<u>755,343</u>	<u>736,617</u>	<u>-</u>	<u>(43,670)</u>
<b>U.S. DEPARTMENT OF COMMERCE</b>							
Economic Development Administration Sewer System Upgrade	11.300	04-79-06577	-	1,094,119	1,368,465	-	(274,346)
Total U. S. Department of Commerce			<u>-</u>	<u>1,094,119</u>	<u>1,368,465</u>	<u>-</u>	<u>(274,346)</u>
<b>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</b>							
Community Development Block Grants/Entitlement Grants	14.218	B-13-MC-47-0001	(276,957)	276,957	381,004	-	(381,004)
Community Development Block Grants/Entitlement Grants	14.218	B-14-MC-47-0001	-	1,012,731	1,036,486	-	(23,756)
Community Development Block Grants/Entitlement Grants-Program Income	14.218	N/A	-	288,767	288,767	-	-
Total Community Development Block Grants/Entitlement Grants			<u>(276,957)</u>	<u>1,578,454</u>	<u>1,706,257</u>	<u>-</u>	<u>(404,760)</u>
Shelter Plus Care	14.238	TN0010L4J001306	-	145,398	235,899	-	(90,501)
THDA ESG Stage	14.231	E-13-MC-47-0003	(40,589)	89,736	49,147	-	-
THDA ESG Stage	14.231	E-14-MC-47-0003	-	73,954	113,573	-	(39,619)
Total Shelter Plus Care			<u>(40,589)</u>	<u>309,088</u>	<u>398,619</u>	<u>-</u>	<u>(130,120)</u>

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(continued from previous page)							
HOME Investment Partnerships Program	14.239	M-10-MC-47-0200	\$ -	\$ 29,364	\$ 29,364	\$ -	\$ -
HOME Investment Partnerships Program	14.239	M-12-MC-47-0200	-	44,688	54,303	-	(9,616)
HOME Investment Partnerships Program	14.239	M-13-MC-47-0200	-	46,912	144,674	-	(97,762)
HOME Investment Partnerships Program	14.239	M-14-MC-47-0200	-	158,544	191,501	-	(32,957)
HOME Investment Partnerships Program - Program Income	14.239	N/A	-	263,974	263,974	-	-
Total HOME Investment Partnerships Program			-	514,117	654,452	-	(140,335)
Total U. S. Department of Housing and Urban Development			(317,546)	2,401,660	2,759,328	-	(675,215)
<b>U.S. DEPARTMENT OF THE INTERIOR</b>							
National Park Service, Historic Preservation Grants	15.928	P14AP00192	-	440,000	440,000	-	-
Total U.S. Department of the Interior			-	440,000	440,000	-	-
<b>U.S. DEPARTMENT OF JUSTICE</b>							
Edward Byrne Memorial Grant - Police Explorers	16.738	2011-DJ-BX-3041	(627)	1,613	986	-	-
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2012-DJ-BX-0641	-	10,654	10,654	-	-
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2013-DJ-BX-0975	-	43,302	43,302	-	-
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2014-DJ-BX-1123	-	-	10,146	-	(10,146)
Hamilton County Family Justice Center	16.738	22560	(5,705)	51,794	79,781	-	(33,692)
Total Edward Byrne Memorial Grant			(6,332)	107,362	144,868	-	(43,838)
2010 COPS Hiring Grant	16.710	2010-CK-WX-0391	(364,121)	671,202	307,081	-	-
Total COPS Hiring Grant			(364,121)	671,202	307,081	-	-
Total U. S. Department of Justice			(370,453)	778,564	451,949	-	(43,838)

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**CITY OF CHATTANOOGA, TENNESSEE**  
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<b>U.S. DEPARTMENT OF TRANSPORTATION</b>							
Passed Through Georgia Department of Transportation:							
Highway Planning and Construction	20.205	PL000-0011-00-798	\$ (35,096)	\$ 61,069	\$ 25,973	\$ -	\$ -
Highway Planning and Construction	20.205	AEOPLPLN140836	-	65,644	114,990	-	(49,346)
Total GA Highway Planning and Construction			<u>(35,096)</u>	<u>126,713</u>	<u>140,963</u>	<u>-</u>	<u>(49,346)</u>
Passed through Tennessee Department of Transportation:							
Highway Planning and Construction	20.205	Z14MPO002	(38,345)	297,247	304,164	-	(45,262)
Governor's Highway Safety Grant	20.600	Z14GHSO59	(45,807)	110,814	65,007	-	-
Governor's Highway Safety Grant	20.607	Z15GHSO59	-	-	51,414	-	(51,414)
TDOT - Congestion Management Air Quality (CMAQ)	20.205	33LPLM-F0-066	(150,336)	150,336	90,285	-	(90,285)
TDOT - Congestion Management Air Quality (CMAQ)	20.205	33LPLM-F3-076	(76,317)	355,213	299,787	-	(20,891)
TDOT - Congestion Management Air Quality (CMAQ)	20.205	33LPLM-F0-095	(64,881)	86,371	111,592	-	(90,102)
Total TN Highway Planning and Construction			<u>(375,687)</u>	<u>999,980</u>	<u>922,249</u>	<u>-</u>	<u>(297,954)</u>
Federal Transit Metropolitan Planning Grant	20.505	GG-13-34410	(25,018)	33,167	8,149	-	-
Federal Transit Metropolitan Planning Grant	20.505	GG-15-43720-00	-	14,379	53,627	-	(39,248)
Total Federal Transit: Metropolitan Planning Grant			<u>(25,018)</u>	<u>47,546</u>	<u>61,776</u>	<u>-</u>	<u>(39,248)</u>
Total U. S. Department of Transportation			<u>(435,801)</u>	<u>1,174,239</u>	<u>1,124,988</u>	<u>-</u>	<u>(386,548)</u>
<b>INSTITUTE OF MUSEUM AND LIBRARY SERVICES</b>							
Passed Through Tennessee Libraries and Archives							
General Library Services	45.310	30504-00115-01	-	48,700	48,700	-	-
2015 LSTA Technology Grant	45.310	30504-00315-22	-	9,757	9,757	-	-
Total Institute of Museum and Library Services			<u>-</u>	<u>58,457</u>	<u>58,457</u>	<u>-</u>	<u>-</u>

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<b>U.S. ENVIRONMENTAL PROTECTION AGENCY</b>							
Brownfields Assessment & Cleanup Cooperative Agreements	66.818	BF-95441209	\$ -	\$ 218,348	\$ 272,041	\$ -	\$ (53,694)
Brownfields Assessment & Cleanup Cooperative Agreements	66.818	BF-95462810	(67,903)	67,903	-	-	-
Air Pollution Control Program	66.001	00408410	59,218	345,998	405,216	-	-
Surveys, Studies, Investigations and Special Purpose Grants	66.034	96497408	-	130,000	130,000	-	-
Total U.S. Environmental Protection Agency			<u>(8,685)</u>	<u>762,249</u>	<u>807,257</u>	<u>-</u>	<u>(53,694)</u>
Passed Through Tennessee Department of Environment And Conservation:							
Clean Water State Revolving Loan Program (SRF 2011-289)	66.458	SRF 2011-289	-	3,201,031	3,201,031	-	-
Clean Water State Revolving Loan Program (SRF 2012-307)	66.458	SRF 2012-307	(3,829,788)	5,889,522	5,889,522	3,829,788	-
Clean Water State Revolving Loan Program (SRF 2013-318)	66.458	SRF 2013-318	(4,099,215)	5,140,809	5,140,809	4,099,215	-
Total Revolving Loan Program			<u>(7,929,003)</u>	<u>14,231,362</u>	<u>14,231,362</u>	<u>7,929,003</u>	<u>-</u>
Total U. S. Environmental Protection Agency			<u>(7,937,688)</u>	<u>14,993,611</u>	<u>15,038,619</u>	<u>7,929,003</u>	<u>(53,694)</u>
<b>FEDERAL EMERGENCY MANAGEMENT AGENCY</b>							
Emergency Food and Shelter National Board Program	97.024	768200-001	(5,785)	12,500	6,715	-	-
Emergency Food and Shelter National Board Program	97.024	768200-001	-	12,806	17,637	-	(4,831)
Total Federal Emergency Management Agency			<u>(5,785)</u>	<u>25,306</u>	<u>24,352</u>	<u>-</u>	<u>(4,831)</u>
<b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>							
Head Start	93.600	04CH0047/37	(421,358)	421,358	-	-	-
Head Start	93.600	04CH0047/38	-	8,123,822	8,635,842	-	(512,020)
Early Head Start-Child Care Partnership Grant	93.600	04HP0041/01	-	264,623	425,405	-	(160,782)
Total Head Start			<u>(421,358)</u>	<u>8,809,803</u>	<u>9,061,247</u>	<u>-</u>	<u>(672,802)</u>

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(continued from previous page)							
Passed Through Tennessee Department of Human Services:							
Low-Income Home Energy Assistance	93.568	LIHEAP-14-03	\$ (825,219)	\$ 1,625,924	\$ 800,705	\$ -	\$ -
Low-Income Home Energy Assistance	93.568	LIHEAP-15-03	-	1,992,062	2,229,499	-	(237,437)
Total Low-Income Home Energy Assistance			<u>(825,219)</u>	<u>3,617,986</u>	<u>3,030,204</u>	<u>-</u>	<u>(237,437)</u>
Community Services Block Grant	93.569	Z 14-49104	(116,212)	116,212	-	-	-
Community Services Block Grant	93.569	Z 15-49104	-	499,751	565,519	-	(65,768)
Total Community Services Block Grant			<u>(116,212)</u>	<u>615,963</u>	<u>565,519</u>	<u>-</u>	<u>(65,768)</u>
YFD Summer Food Service Program			-	-	61,720	-	(61,720)
Total U. S. Department of Health and Human Services			<u>(1,362,789)</u>	<u>13,043,752</u>	<u>12,718,690</u>	<u>-</u>	<u>(1,037,727)</u>
<b>CORPORATION FOR NATIONAL AND COMMUNITY SERVICES</b>							
Foster Grandparents Program	94.011	13SFSTN003	(145,354)	145,354	-	-	-
Foster Grandparents Program	94.011	13SFSTN003	-	350,520	381,480	-	(30,960)
Total Corporation for National and Community Services			<u>(145,354)</u>	<u>495,874</u>	<u>381,480</u>	<u>-</u>	<u>(30,960)</u>
<b>U.S. DEPARTMENT OF HOMELAND SECURITY</b>							
Passed Through Tennessee Emergency Management Agency - Disaster Relief							
FEMA 1965 DR TN - February 2011	97.036	FEMA 1965 DR TN	(18,905)	18,905	-	-	-
FEMA 1974 DR TN - April 2011	97.036	FEMA 1974 DR TN	(1,006,434)	1,025,830	-	(19,396)	-
Total U. S. Department of Homeland Security			<u>(1,025,339)</u>	<u>1,044,735</u>	<u>-</u>	<u>(19,396)</u>	<u>-</u>
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS - PRIMARY GOVERNMENT</b>			<u><b>(11,663,151)</b></u>	<u><b>36,305,660</b></u>	<u><b>35,102,946</b></u>	<u><b>7,909,607</b></u>	<u><b>(2,550,829)</b></u>

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(continued from previous page)							
<b>STATE AWARDS</b>							
Tennessee Commission on Aging & Disability Southeast Tennessee Development District	N/A	42185	\$ -	\$ 46,450	\$ 46,450	\$ -	\$ -
Tennessee Department of Environment & Conservation							
Household Hazardous Waste	N/A	GG-1338886	(19,259)	64,535	69,924	-	(24,648)
Clean TN Energy	N/A	DG1338940-00	(10,389)	10,389	-	-	-
Certified Local Government Program Grant	15.904	32701-01776	-	14,210	14,210	-	-
Clean Water State Revolving Loan Program (SRF 2011-289)	66.458	SRF 2011-289	(1,651,989)	640,360	640,360	1,651,989	-
Clean Water State Revolving Loan Program (SRF 2012-307)	66.458	SRF 2012-307	(730,069)	1,178,187	1,178,187	730,069	-
Clean Water State Revolving Loan Program (SRF 2013-318)	66.458	SRF 2013-318	(863,701)	1,028,409	1,028,409	863,701	-
Total Tennessee Department of Environment & Conservation			<u>(3,275,407)</u>	<u>2,936,090</u>	<u>2,931,090</u>	<u>3,245,759</u>	<u>(24,648)</u>
Tennessee Department of Finance & Administration							
THDA Entitlement - CNE Project		Program Income	431,571	54,927	38,570	-	447,929
Tennessee Department of Transportation:							
TDOT - HWY 58 Imp Pedestrian and Bike Facilities	20.205	33LPLM-F3-037	-	212	584,870	-	(584,658)
TDOT - SR27 Pedestrian and Bicycle Facilities	20.205	33LPLM-F3-038		212	70,611	-	(70,399)
Tennessee Emergency Management Agency - Disaster relief							
FEMA 1965 DR TN - February 2011	97.036	FEMA 1965 DR TN	(2,825)	2,825	-	-	-
FEMA 1974 DR TN - April 2011	97.036	FEMA 1974 DR TN	(159,916)	155,839	-	(5,452)	(9,529)
<b>TOTAL EXPENDITURES OF STATE AWARDS - PRIMARY GOVERNMENT</b>			<u><b>(3,006,577)</b></u>	<u><b>3,196,555</b></u>	<u><b>3,671,591</b></u>	<u><b>3,240,307</b></u>	<u><b>(241,305)</b></u>
<b>TOTAL EXPENDITURE OF FEDERAL AND STATE AWARDS - PRIMARY GOVERNMENT</b>			<u><b>\$(14,669,728)</b></u>	<u><b>\$ 39,502,216</b></u>	<u><b>\$ 38,774,537</b></u>	<u><b>\$ 11,149,914</b></u>	<u><b>\$ (2,792,134)</b></u>

**CITY OF CHATTANOOGA, TENNESSEE**

**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS**

**June 30, 2015**

Note 1. Basis of Presentation

The accompanying schedule of expenditures of federal and state awards includes the federal and state grant activity of the City and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations." Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Note 2. Program Income

Cash receipts for the Community Development Block Grant (CFDA 14.218) and HOME Investment Partnerships Program (CFDA 14.239) include program income of \$327,336 and \$389,686, respectively.

Note 3. Other Adjustments

Other adjustments to the schedule of expenditures of federal and state awards reflect adjustments to prior year ending accrued revenues that will not be received, adjustments to record accruals not recorded in prior years or reclassification of accrual amounts to the proper grants.

Note 4. Subrecipients

Of the federal expenditures presented in the schedule, the City provided federal awards to subrecipients as follows:

<u>Program Title</u>	<u>Federal CFDA Number</u>	<u>Amount Provided to Subrecipient</u>
Community Development Block Grants/ Entitlement Grants	14.218	\$446,731
Shelter Plus Care	14.231	227,202
THDA ESG Stage	14.231	152,374
Home Investment Partnerships Program	14.239	835,886



HENDERSON HUTCHERSON  
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Certified Public Accountants

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

To the Honorable Mayor  
and Members of the City Council  
City of Chattanooga, Tennessee

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the City of Chattanooga, Tennessee (the City), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated December 10, 2015. Our report includes a reference to other auditors who audited the financial statements of the Chattanooga Metropolitan Airport Authority and the Chattanooga Area Regional Transit Authority, as described in our report on the City of Chattanooga's financial statements. This report does not include the results of the other auditors testing of internal control over financial reporting or compliance and other matters that are reported in separately by those auditors.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the City of Chattanooga, Tennessee's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

## Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Chattanooga, Tennessee  
December 10, 2015

Henderson Hutcherson  
& McCullough, PLLC



HENDERSON HUTCHERSON  
& MCCULLOUGH, PLLC

Certified Public Accountants

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS  
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH  
MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER  
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

To the Honorable Mayor  
and Members of the City Council  
City of Chattanooga, Tennessee

**Report on Compliance for Each Major Federal Program**

We have audited the City of Chattanooga, Tennessee's compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended June 30, 2015. The City of Chattanooga, Tennessee's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations contracts, and grants applicable to its federal programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on each of the City of Chattanooga's major federal programs based on our audit of the types of compliance requirements referred to above. The City's basic financial statements include the operations of the Chattanooga Metropolitan Airport Authority and the Chattanooga Area Regional Transit Authority which expended federal awards which are not included in the accompanying schedule of expenditures of federal awards during the year ended June 30, 2015. Our audit, described below, did not include the operations of these entities because the entities engage other auditors to perform audits in accordance with OMB Circular A-133. The City's basic financial statements also include operations of the Electric Power Board. We performed an audit in accordance with OMB Circular A-133 for this enterprise fund. The schedule of expenditures of federal awards for the year ended June 30, 2015 does not include these operations as we reported on them separately.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City's compliance.

### ***Opinion on Compliance for Each Major Federal Program***

In our opinion, the City of Chattanooga, Tennessee complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015.

### **Report on Internal Control over Compliance**

Management of the City of Chattanooga, Tennessee is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit, we considered the City's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we considered to be material weaknesses. However, material weaknesses may exist that have not been identified.

This purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Chattanooga, Tennessee  
December 10, 2015

*Henderson Hutcherson  
& McCullough, PLLC*

**CITY OF CHATTANOOGA, TENNESSEE**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**Year Ended June 30, 2015**

SECTION 1 – SUMMARY OF AUDITOR’S RESULTS

Financial Statements

Type of auditor’s report issued: Unmodified

Internal control over financial reporting:

- Material weaknesses identified: yes no
- Significant deficiencies identified that are not considered to be material weaknesses? yes none reported
- Noncompliance material to financial statements noted? yes no

Federal Awards

Internal control over major programs:

- Material weaknesses identified: yes no
- Significant deficiencies identified that are not considered to be material weaknesses? yes none reported

Type of auditor’s report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? yes no

Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
11.300	U.S. Department of Commerce Economic Development Administration Sewer System Upgrade
15.928	U.S. Department of Interior National Park Service, Historic Preservation Grants
66.001 66.818	U.S. Environmental Protection Agency Air Pollution Control Program Brownfields Assessment & Cooperative Agreement
93.569	U.S. Department of Health and Human Services Community Services Block Grant
93.600	U.S. Department of Health and Human Services Head Start Program

**CITY OF CHATTANOOGA, TENNESSEE**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**Year Ended June 30, 2015**

Dollar threshold used to distinguish between Type A  
and Type B programs:

\$1,053,088

Auditee qualified as low-risk auditee?

  x   yes           no

**SECTION II – FINANCIAL STATEMENT FINDINGS**

None reported

**SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

None reported

**CITY OF CHATTANOOGA, TENNESSEE**

**SCHEDULE OF PRIOR AUDIT FINDINGS**

**Year Ended June 30, 2015**

None reported



**City of Chattanooga**

Department of Finance and Administration

City Hall

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